

MEMORANDUM FOR: SEE DISTRIBUTION

SUBJECT: Project Management Guidance Letter No. 8 -- Appraisal of Lands Containing Hazardous & Toxic Wastes on Local Cooperation Projects

1. References:

- a. CECW-LN Project Management Guidance Letter No. 2 dated 2 March 1990, Subject: LCA Provisions on Hazardous and Toxic Wastes (HTW).
- b. CECW-LN Memorandum dated 17 April 1990, Subject: Revision to Project Management Guidance Letter No. 2, LCA Provisions on hazardous and Toxic Wastes (HTW).
- c. ER 1165-2-131
- d. Uniform Appraisal Standards for Federal Land Acquisitions

2. Situations have arisen which have caused some confusion regarding the proper method for appraising lands which are needed for local cooperation projects and which are known to contain hazardous and toxic wastes. The problem is exacerbated in situations where the sponsor has already acquired the lands at some nominal cost or even, in some cases, free of charge.

3. Regardless of whether or not the land is in the sponsor's possession, or whether or not HTW's exist on or beneath the property, paragraph 12.c. of reference l.c. is the basic guidance for appraising land values for credit. The credit amount shall be based on an approved appraisal utilizing the principles outlined in reference l.d. under the assumption that the lands are clean. Therefore, regardless of whether the sponsor paid a nominal price or an exorbitant price and whether the lands are actually clean or contain HTW, the credit appraisal should assume clean lands. The language in Article IV.a. of the model LCA should also be understood to refer to an appraisal of lands under the assumption that such lands are clean.

4. This approach will eliminate the need to attempt to estimate the cost of HTW cleanup or its effect upon the value of the land being appraised. There may or may not be a relationship between such costs, but utilizing the approach in paragraph 3. will eliminate the need for quantifying such a relationship. The cost of HTW cleanup is not a factor in the appraisal (or credit) nor are any cleanup costs to be included in the fair market value of the land or in the estimate of total project cost.

5. This letter applies only to local cooperation agreement-type projects. Refer to Real Estate Policy Guidance Letter No. 1 -- Appraisal of Land Containing Hazardous and Toxic Wastes, for further assistance on all other types of projects. If you have any

questions on this specific subject, they should be addressed to CECW-LN, ATTN: Pete Luisa.

FOR THE DIRECTOR OF CIVIL WORKS:

/s/

BORY STEINBERG
Chief, Project Management Division
Directorate of Civil Works